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इस भाग में विशेष पृष्ठ संख्या दी जाती है जिससे कि यह प्रस्तुत संकलन के रूप में रखा जा सके।

Separate paging is given to this Part in order that it may be filed
as a separate compilation.

MINISTRY OF INDUSTRIAL DEVELOPMENT AND COMPANY AFFAIRS

(Department of Industrial Development)

RESOLUTION

New Delhi, the 3rd June 1968

No. 5/44/67/AEI.II.—The Tariff Commission submitted a report in October, 1967, on the fixation of fair selling prices of agricultural tractors on the basis of an enquiry undertaken by it under Section 12(d) of the Tariff Commission Act, 1951. Its recommendations are as under:—

- (i) The selling expenses including dealers commission should be fixed at Rs. 2050 for 50 HP tractors, Rs. 1850 for 35/37 HP tractors and Rs. 1650 for 27 HP tractors.
- (ii) No allowance for warranty need be provided for in the selling prices of tractors, in consideration of the fact that adequate allowances for wastages have been made in the cost estimations.
- (iii) The selling prices of tractors should be fixed ex-factory for each of the producers. Freight to the dealer's point, together with packing, forwarding and insurance charges, should be charged separately to the customers.

(iv) The return on investment should be 15% on capital employed comprising the average net fixed assets and the working capital, which would enable the industry to provide for the outgoings such as interest on borrowings, minimum bonus under the Bonus Act, Corporation taxes etc., leaving a residue which should enable the industry to declare reasonable dividends to equity share holders and also provide for reserves.

(v) The fair ex-works retail prices recommended for two years ending 31st March, 1969 are as shown below:—

	Rs.
(a) Hindustan 50 HP tractor	23,370
(b) Massey Ferguson	21,270
(c) International	20,230
(d) Hindustan 35 HP	13,630
(e) Escort 37	17,690
(f) Escort 27	14,700
(g) Eicher	17,480

(vi) It will be sufficient if, for the next two years the change in the c.i.f. cost of ckd packs due to a change in the rates charged by the collaborators and/or any fresh deletion effected at any time is adjusted against the recommended prices of tractors.

(vii) The escalation of 57.5%, together with other elements constituting the landed cost already available to the industry as a result of devaluation, provide an adequate margin to cover the higher cost of manufacture of indigenous components in comparison with the imported post-devaluation landed costs of the same components. Therefore, no escalation on account of deletion need be allowed where such deletions are replaced by indigenous bought-out or manufactured components.

(viii) Any increase in the prices of engines locally purchased by M/s. TAFE and M/s. Escorts over the values already included in the costs, if approved by Government, should be adjusted against the recommended prices of tractors.

(ix) Variations in the costs of tyres, tubes and also batteries, either due to substitution by alternative types or due to variations in prices for other reasons, may be adjusted against the recommended prices of tractors, as and when necessary.

(x) Since none of the units now in production is anywhere near the economic size, it is expected that future licensing policy would aim at making these units economic and that, if and when there is a revision of this policy, no licences for setting up of new units would be granted for the ranges of tractors now in production as well as any other ranges that may have to be manufactured in the country.

(xi) Generally, full account should be taken of the domestic supply potential before entering into any further long-term or substantial commitments regarding import of agricultural tractors.

(xii) As long as requisite conditions are satisfied, customs duty should not be levied on hydraulic lift, powertake off unit and three point linkage and the question of levy of the duty may not be left to the discretionary interpretation of the customs authorities; the bond executed by the importing party may be accepted uniformly in the absence of any evidence to the contrary.

(xiii) It is desirable that the incidence of taxation on agricultural tractors should be as low as possible and that there should be uniformity of all levies throughout the country.

(xiv) Government may give consideration to the suggestions for framing of separate set of simple rules governing agricultural tractors as the existing provisions of Motor Vehicles Taxation are reported to be causing considerable hardship to the farmers.

- (xv) The domestic demand for agricultural tractors may be estimated at 25,000 Nos. for 1967-68 rising annually by 5,000 Nos. to 40,000 by 1970-71.
- (xvi) A technical study should be undertaken of the engineering specifications of all the present makes of indigenous tractors with a view to identifying items which could immediately be taken up for standardisation, particularly in the context of the scope for import substitution.
- (xvii) Adherence to the programme of deletions by the indigenous tractor producers should be more strictly enforced.
- (xviii) Government should take effective steps so that the required quantities of rubber tyres and tubes are made available to the tractor industry.
- (xix) The practice of importing components outside the ckd pack is against the spirit of import substitution. Import substitution as a concept should be related to the total quantity of imports made and not merely to the deletions made from the ckd pack which are replaced not by domestic production but by importing outside the pack.
- (xx) Steps should be taken to ensure that there is no discrimination between tractor producers in respect of the prices to be paid by them for tyres and tubes.
- (xxi) To meet the requirements of the average Indian farmer, either small tractors or power tillers in much greater numbers than available at present are urgently needed. As for the conventional types within the range of 20 to 50 HP, unless the purchasing power of the farmer increases, they may remain beyond the reach of the average Indian farmer for quite some time to come.
- (xxii) Since there is a great demand for low HP tractors which is now met from imports, it would be in the national interest if Government divert a part of the import demand for such low HP tractors to the five indigenous producers by placing bulk orders with them, thus assuring them of demand for low HP tractors. The low HP tractors purchased by Government may be sold or rented to the farmers at moderate rates.
- (xxiii) It is necessary that the Land Mortgage Banks should be encouraged to advance funds to the farmers for purchase of tractors.
- (xxiv) The rates of interest charged by the Land Mortgage Banks seem to be high for poor farmers. The Agricultural Credit Department of the Reserve Bank of India may look into this matter with a view to bringing about an early reduction in the interest charges.
- (xxv) The establishment of Agro-Industrial Corporations recently in some of the States for supply of tractors on hire-purchase terms is an encouraging development and is likely to prove beneficial to the farmers as well as to the tractor industry. Adequate funds should be provided to these corporations.
- (xxvi) Government may periodically review the prices along with the availability and quality of the tractor implements and accessories which are needed for replacement frequently.
- (xxvii) With greater indigenous substitution of imported components, it should be possible to eliminate the recurring charges by way of payment of royalty to foreign collaborators either by making outright purchase of the specifications and drawings or by terminating collaboration agreements and substituting indigenous specifications.
- (xxviii) Appropriate action should be taken by the tractor manufacturers to ensure that genuine parts of their tractors are available to consumers from the dealers.
- (xxix) The proposal to establish a net work of workshop facilities for tractors in selected areas where tractor population is concentrated should be implemented without any further delay as this is an urgently needed facility. In addition, it is also necessary that the tractor producers should extend the distribution network and workshop facilities more widely than at present.

- (xxx) The producers of agricultural tractors should ensure that their dealers and other accredited suppliers do not indulge in any malpractices in regard to the implementation of the terms of warranty.
- (xxxi) It would be desirable if a schedule of repair and after-sales service is provided free of charge by the tractor producers in the form of a free service voucher and given directly to the customers as done now by M/s Tractors and Farm Equipments Ltd.
- (xxxii) The tractor manufacturers should eliminate causes which result in inefficiency leading to increase in costs.
- (xxxiii) Unless the manufacturers diversify their production (by undertaking production of low HP tractors) the offtake of the present tractors may not permit any significant reduction in their cost of production. This may in turn further retard their growth and development.
- (xxxiv) As state-aid may not be enough, tractor producers in their own interest may have to formulate a scheme for improving their sales performance which should, *inter-alia*, include provision of credit facilities to potential buyers.

2. Government have taken note of recommendations Nos: i, ii, vi, vii, viii, ix, x, xi, xiv, xv, xvi, xvii, xviii, xix, xx, xxi, xxii, xxiv, xxv, xxvi and xxix, and suitable action will be taken to implement them to the extent practicable.

3. Government do not accept recommendations Nos. iii, iv, & v for the following reasons:

- (a) The Commission has recommended the fixation of prices on ex-works basis. Government, however, feel that there should be a uniform price for a particular make of tractor throughout the country so that the consumers residing at places far away from the producing centres are not placed at a disadvantage. Moreover, if the prices were fixed on ex-works basis and the manufacturers permitted to charge extra for freight, packing, insurance etc. there would be difficulty in verifying the correctness of the ultimate prices to the consumers charged by the dealers. In view of these considerations, Government feel that the selling prices of tractors should be fixed on f.o.r. destination basis as hitherto, and not on ex-works basis.
- (b) The Commission has recommended a return of 15 percent on the capital employed. Hitherto, the normal practice has been to allow a return of only 12 percent on the capital employed and this rate of return has been adopted in determining the fair selling prices in the case of other industries. Government do not feel that there is adequate justification for allowing a higher rate of return in the case of the tractor industry.
- (c) In determining the price of 50 HP tractors produced by Messrs Hindustan Tractors Ltd., the Commission has adopted a replacement ratio of more than 300 percent for expected deletions of some of the components imported by the firm outside the ckd pack (*vide* para 17.12 of the Commission's report). The average replacement ratio in respect of deletions already effected by all the manufacturing units including this unit is much less. In the circumstances, Government do not see any justification for allowing such a high replacement ratio in the case of expected deletions in respect of this unit.

In the case of M/s Escorts, it has been found that, while determining the cost of production, the costs of some items have been included twice over, once in the ckd pack and again in the list of locally bought out or manufactured components.

In the case of the manufacturing units importing components and raw-materials from U.K., the cost of production worked out by the Commission is based on the exchange rate prevailing prior to the devaluation of the pound sterling in November, 1967. Some adjustments in the prices recommended by the Commission are, therefore, required to allow for this.

After making necessary adjustments in the light of the factors enumerated above, Government have decided to fix the ceiling selling prices f.o.r. destination (rail head) of various makes of agricultural tractors manufactured in the country, with immediate effect and until further orders, as under:—

Make of the tractor			F. O.R. destination (rail-head) selling price
TAFE	35 HP	..	Rs. 21,140
INTERNATIONAL	35 HP	..	Rs. 19,570
HINDUSTAN	50 HP	..	Rs. 22,350
HINDUSTAN	35 HP	..	Rs. 15,710
ESCORTS	37 HP	..	Rs. 17,910
ESCORTS	27 HP	..	Rs. 13,840
EICHER	27 HP	..	Rs. 17,480

4. Government will examine recommendations Nos: xii and xiii in consultation with the concerned authorities.

5. It is not possible to accept recommendation No: xxii for the present. Government are of the view that, if after assessing indigenous availability of tractors, it is considered necessary to resort to import of complete tractors, such imports should continue to be effected through the existing agencies, as hitherto.

6. The attention of the industry is invited to recommendations Nos: xxvii to xxxiv.

ORDER

Ordered that a copy of the Resolution be communicated to all concerned and that it be published in the Gazette of India.

R. V. SUBRAHMANIAN, Jt. Secy.

